

Review of the Railroad Unemployment Insurance Act
Section 2(f) Receivables
Report No. 98-05, January 20, 1998

Background

The Office of Programs is responsible for administering the benefit provisions of the RUIA. The office pays benefits based on unemployment and sickness, injury, or pregnancy. The Claims Adjustment and Settlement Section within the Office of Programs establishes debts using the Railroad Unemployment Claims System. This data is passed to the Program Accounts Receivable(PAR)System to produce the billing document.

The Debt Recovery Division within the Bureau of Fiscal Operations uses the PAR System to track and implement collection actions on delinquent debts incurred by the claimant and third parties under Section 2(f) of the RUIA.

Section 2(f) of the RUIA requires, that if an employee receives RRB benefits for any period that the employee later receives payment from his/her employer, the RRB should be reimbursed for the benefits it paid. Employer payments subject to reimbursement include pay for time lost and guarantee pay. The employer is liable for the lesser of (1) the amount of benefits paid for those days or (2) the amount of pay for time lost.

The Code of Federal Regulations (20 CFR 340.16) requires that every employer or other person making reimbursements to the RRB shall make them within 30 days from the date of payment of remuneration to the employee. Failure to remit the amount due to the RRB within 30 days shall subject the employer or other person to interest and penalties.

The RRB is authorized to collect Section 2(f) payments and charge interest and penalties as established in Section 8 of the RUIA. The RRB may assess interest at the rate of one percent per month from the date reimbursement became due until paid. Provision is also made to assess penalties on delinquent debts at a rate of six percent per year.

Objective, Scope and Methodology

The objective of this review was to determine if debts under Section 2(f) are being properly established and sufficient actions are taken to collect the debts timely and efficiently. To accomplish the objective, we:

- reviewed federal laws and regulations;

- reviewed the RRB's policies and procedures;
- reviewed prior Office of Inspector General audit reports;
- interviewed the Office of Programs and the Debt Recovery Division staff;
- reviewed the September 4, 1997 list of Section 2(f) receivables for the amount of the outstanding debt; and
- reviewed a sample of 40 cases selected from the list of Section 2(f) receivables established during fiscal year 1997. We selected the sample from a universe of 974 receivables of \$200 and over. The sample included a review of the Railroad Unemployment Claims System, the PAR System and the corresponding claim folders.

This review was performed in accordance with generally accepted government auditing standards appropriate for the objective described above. We performed the fieldwork at the RRB's headquarters office in Chicago, Illinois, from August through November 1997.

Results of Review

The review determined that the RRB should improve the procedures for processing Section 2(f) debts. The Office of Programs does not provide controls to ensure that all receivables are established and documented. The railroads are not always reporting complete and timely payment information. In addition, the review determined that billing documents do not contain the correct collection due date and other relevant information.

The Debt Recovery Division took proper and timely actions to collect delinquent debts that were established. These actions include: the assessment of interest and penalties, referral to private collection agencies, and/or referral to the Department of Justice.

The details of recommendations for improvements are discussed in the following sections of the report.

Ensuring All Debts are Established

The Office of Programs does not track inquiries of the railroads' request for Section 2(f) information.

The railroads notify the RRB of payments made to the employees by submitting a facsimile of the Request for Section 2(f) Information (Form ID-3U or fax inquiry). The RRB uses the request to determine the amount due from the railroads.

The Claims Adjustment and Settlement Section is responsible for establishing Section 2(f) debts in the PAR System. This section enters telephone and fax inquiries onto a daily log. The log contains: (1) date of the inquiry/request, (2) employee social security number, and (3) type of benefits. This section does not use the log to follow-up on inquiries to ensure that receivables are entered into the PAR System.

We identified three cases (8%) from our sample in which the railroads submitted cash payments without receivables established in the PAR System. If debts are not established in the PAR System, the RRB must spend additional time and effort to identify the receivable and apply the payment. Additionally, the Debt Recovery Division is unable to monitor aging debts to facilitate collection.

Recommendation

The Office of Programs should use the telephone/fax log to periodically review and follow-up on the railroads' inquiries (Recommendation No. 1).

Management's Response

The Office of Programs does not agree with this recommendation. They stated that the OIG has not demonstrated that this recommendation is cost beneficial and they do not feel it is necessary to use the telephone/fax log to periodically follow-up on the railroads' inquiries.

OIG's Response

The OIG believes that a periodic review will provide reasonable assurance that debts are established.

Documentation of Debt

The Claims Adjustment and Settlement Section is not properly documenting all actions in the claim folders. We identified six cases from our sample that did not contain the railroad's inquiry.

The claim folders typically should contain: (1) railroad's fax inquiry, (2) the routing slip, and (3) a journal of the actions taken by the examiner.

Documenting actions in the claim folder ensures that the RRB can properly process receivables and follow-up on any discrepancies or inquiries. With proper documentation, the RRB is better able to provide information to individuals inquiring about the status of their account.

The Office of Programs management advised that previously there was a backlog of work in the Claims Adjustment and Settlement Section. This backlog has been addressed. In addition, the office is moving toward folderless processing by using an on-line system and scanning documents. This process will eliminate many documents in the folder.

Recommendation

The Office of Programs should include a timeliness standard in the procedures to ensure that the appropriate documents are filed promptly into the claim folders (Recommendation No. 2).

Management's Response

The Office of Programs does not agree with this recommendation. They stated that there was a temporary situation which caused a backlog in handling these cases and unfortunately, the backlog existed during the time of the OIG's review.

OIG's Response

At the end of this review there were still documents that were not filed. Therefore, we believe that this recommendation should be implemented.

Railroads' Reporting of Payments

Although the Office of Programs requires the railroads to report complete and timely payment information, railroads are not always complying.

The RRB regulations (20 CFR 340.16 (b)) require railroads to remit the amount due within 30 days from the date of the payment to the employee. The RRB requires the railroads to complete the fax inquiry (ID-3U form) with the payment date included.

Our review identified six cases in which the correct due date could not be determined because the railroads did not report the required date of payment on the fax inquiry. In addition, we identified two cases in which the railroads did not timely notify the RRB of payments. They reported payments to the RRB 52 days after paying the employees and 22 days after reimbursement was due the RRB.

The RRB loses the use of funds when the railroads do not adhere to the reporting requirements. Additionally, the RRB cannot assess interest and penalties, and perform other collection actions in a timely manner.

The railroad fax inquiry does not advise of the reporting requirement of 20 CFR 340.16(b). However, the Office of Programs management has advised us that they are in the process of updating the Reporting Instructions for Employers to include reference to the Section 2(f) requirements.

Recommendations

The Office of Programs should:

- include a statement of the reimbursement requirement on Form ID-3U, Request for Section 2(f) Information (Recommendation No. 3); and
- complete plans to update the Reporting Instructions for Employers to include reference to the requirements under Section 2(f) of RUIA (Recommendation No. 4).

Management's Response

The Office of Programs agrees with these recommendations. The target date for the completion of recommendation #3 is June 1, 1998. Recommendation #4 was implemented on December 30, 1997.

Billing Document

Some billing documents contain information that is not relevant to Section 2(f) debts while others contain incorrect collection due dates.

Billing documents should contain all relevant information to ensure that the railroads pay timely. Also, 20 CFR 340.16(b) states that the collection due date shall be 30 days from the date of railroad's payment to the employee. The PAR System automatically enters a collection due date of 30 days from the billing document. This due date is not always based on the payment date.

Our review identified three cases or 8% of the sample in which the Section 2(f) billing documents contained information unrelated to the Section 2(f) debts. This information made reference to another type of debt that was not related to Section 2(f). Unclear billing documents may result in untimely payments to the RRB.

We also identified eleven cases with collection due dates established 40 or more days from the date of the railroad payment to the employee. The RRB may lose interest and penalties if the Debt Recovery Division does not pursue timely collection of debts.

Recommendations

The Office of Programs should:

- revise the billing document to include only relevant information relating to the Section 2(f) debts (Recommendation No. 5); and
- revise the billing document to include a collection due date of 30 days from the railroad's payment date (Recommendation No. 6).

Management's Response

The Office of Programs agrees with these recommendations. The target date for making the corrections is September 30, 1998.